

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

UNITED STATES OF AMERICA	:	
	:	
v.	:	1:23CR223-1
	:	
CHAUNCEY ALEXANDER HOLLIS	:	

FACTUAL BASIS FOR A GUILTY PLEA

NOW COMES the United States of America, by and through Sandra J. Hairston, United States Attorney for the Middle District of North Carolina, and states that the factual basis for a guilty plea is as follows:

Background on CARES Act Relief and EIDL Program

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was enacted in March 2020 and designed to provide emergency financial assistance to the millions of Americans who were suffering negative economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of loans to small businesses for job retention and certain other expenses, authorizing up to \$349 billion in forgivable loans through a program referred to as the Paycheck Protection Program (“PPP”). In or around April 2020, Congress authorized over \$300 billion in additional PPP funding.

Another source of relief was the Economic Injury Disaster Loan (“EIDL”)

program administered by the Small Business Administration (“SBA”). EIDL loans were designed to help small businesses meet their working capital needs – broadly defined as short-term business expenses, such as accounts payable and interest on fixed debts.

The CARES Act authorized the SBA to provide EIDLs of up to \$2 million to eligible small businesses experiencing substantial financial disruptions due to the COVID-19 pandemic. In addition, the CARES Act authorized the SBA to issue advances of up to \$10,000 to small businesses within three days of applying for an EIDL. The amount of the advance was determined by the number of employees the applicant certified having. Businesses could receive \$1,000 per employee, up to \$10,000. The advances did not have to be repaid.

In order to obtain an EIDL and EIDL advance, a qualifying business was required to submit an application to the SBA and provide information about its operations, such as the number of employees, gross revenues for the 12-month period preceding the disaster, and cost of goods sold in the 12-month period preceding the disaster. In the case of EIDLs for COVID-19 relief, the 12-month period was that preceding January 31, 2020. The business entity must have existed in an operational condition as of February 1, 2020. The applicant was also required to certify that all of the information in the application was true and correct to the best of the applicant’s knowledge.

EIDL applications were submitted directly to the SBA and processed by

the agency with support from a government contractor. The amount of the loan, if the application was approved, was based, in part, on the information provided by the application about employment, revenue, and cost of goods, as described above. Any funds issued under an EIDL or advance were issued directly by the SBA.

Pursuant to the provisions governing the EIDL program, loan proceeds had to be used on certain permissible expenses. More specifically, the EIDL funding had to be used by the business to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the COVID-19 disaster not occurred.

Background Information

The defendant, Chauncey Alexander Hollis, was married to Michelle Renee Hollis. Chauncey was incarcerated in California between around August 2016 and April 2023. During his time in prison, Chauncey was sanctioned numerous times for having cell phones.

Records from the North Carolina Secretary of State reflect that Michelle filed Articles of Incorporation for Hollis House, Inc. on March 2, 2020. On the filing, Michelle is listed as the Chief Executive Officer and the principal office address is Michelle's home address in Winston-Salem, North Carolina. On March 3, 2020, Michelle opened a business checking account at Wells Fargo, account ending in 2895, with an initial deposit of \$25. In opening the account,

Michelle listed herself as the “Key Executive with Control of the Entity.”

Hollis House EIDL

On July 5, 2020, someone submitted an online application for an EIDL from an internet protocol (IP) address in California. The application listed the business as Hollis House and the owner of the business as Michelle.

The application further described the business as a catering business with five employees that had been in business since October 10, 2019. The application fraudulently claimed that Hollis House had \$380,000 in gross revenues and \$100,000 in cost of goods sold for the twelve months before the disaster—i.e., January 31, 2019 to January 31, 2020. The application included two email addresses: mhollis414@yahoo.com was listed as the business email address and hchauncey1971@gmail.com was listed as the “primary contact” email. Subscriber information reflects that the hchauncey1971 account is registered to a Chauncey Hollis.

The SBA sent the EIDL authorization and agreement to the hchauncey1971 email account, and on July 6, 2020, the agreement was electronically signed with the name “Michelle Hollis.” The SBA, in reliance on the fraudulent application, approved the loan application for \$134,900, with an associated grant of \$5,000. In reality, Hollis House was never an operational business.

Denied EIDL Applications

Meanwhile, the SBA received three EIDL applications for loans where Chauncey was listed as the business owner. Chauncey's first application, submitted on July 6, 2020, was for a business called "Hollis Security." The application described the business as a transportation company with ten employees and gross revenues of \$125,000.¹ Chauncey's second and third applications, submitted on July 7, 2020, and July 8, 2020, respectively, were for businesses called "Chauncey Hollis." The second application described the business as a "barber/hairstylist" with eight employees, and the third application described the business as an agriculture business with eight employees. Each of the three applications included a financial account opened in Chauncey's name for deposit of the loan proceeds. None of the aforementioned businesses existed; and the SBA ultimately denied each of the applications.

Receipt and Use of EIDL funds

On July 8, 2020, the SBA deposited the loan of \$134,900 and a grant of \$5,000 into Michelle's Wells Fargo account ending in 2895 for the Hollis House EIDL. The day before the EIDL funds were deposited, the ending balance of the account was \$1,090.86. In July 2020, only three other deposits were made

¹ The IP address that was used to submit the Hollis Security EIDL application is the same IP address that was used to signed the Hollis House EIDL documents.

into the account ending in 2895 after the EIDL funds were deposited. The other deposits were on July 17, 2020 for \$230.88, July 27, 2020 for \$0.01, and July 31, 2020 for \$221.64. The descriptions indicated that the deposits were for Michelle's payroll from a third-party. After the money was received, Michelle and Chauncey used the fraudulently obtained EIDL proceeds on personal purchases.

Purchase of Porsche: On July 10, two days after the EIDL proceeds were deposited, Michelle withdrew \$50,000 in cash from the account ending in 2895. The next day, Michelle purchased a 2017 Porsche Cayenne at Foreign Cars Italia in Greensboro. Michelle placed a cash down payment of \$26,200 and signed a credit application to finance the remaining balance. On the credit application, Michelle listed her employment as a nursing assistant and "other income" in the amount of \$9,600 annual as a nursing assistant. The application did not include any income generated from Hollis House, Inc.

Land purchases: On July 10, 2020, Chauncey and Michelle purchased two vacant pieces of land in California. First, on July 10, Michelle initiated a wire transfer of \$9,895 from the account ending in 2895 to an account for "Landco Investments, Inc." Internal Revenue Service-Criminal Investigations (IRS-CI) Special Agent Purgason obtained records from Landco which reflect the payment was for the sale of vacant land in San Bernadino County, California. Chauncey Hollis was listed as the buyer on the sale agreement.

Landco also provided copies of email communications with an email address bighit2018@gmail.com, in which the writer stated, “My wife has an appointment with wells Fargo tomorrow at 2 PM eastern time in Which the funds will be transferred.”

Similarly, and on the same day, Michelle initiated a wire transfer of \$3,000 from the account ending in 2895 to an account for “ATR Real Property.” Records from ATR Real Property show that on July 8, 2020, Chauncey emailed and inquired about a piece of land in Bridgeport, California, asking “what’s the lowest you will take.” On July 9, 2020, Chauncey emailed ATR Real Property in reply to the sales agreement:

Sorry for the delay. I will have this signed and returned this morning. Please send the necessary paperwork with the information to send the money.my wife had an appointment with wells Fargo around 2pm eastern time so that’s 11am. Pacific time in wich [sic] the money will be sent where ever u want.

The sale agreement lists Chauncey Hollis as the buyer and M.R., on behalf of ATR Property Holdings, as the seller.

This the 25th day of March, 2024.

Respectfully submitted,

SANDRA J. HAIRSTON
United States Attorney

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CERTIFICATE OF SERVICE

I hereby certify that on March 25, 2024, the foregoing was electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to counsel of record:

James D. Byers, Esq.

Respectfully submitted,

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